

Testimony for the Little Hoover Commission
March 19, 2002

Written statement from Michael Bernick, Director Employment Development Department on the Governor's Reorganization Plan Number One of March 2002.

For EDD, a Labor and Workforce Development Agency, will bring benefits in three important areas of training, research, and enforcement.

1. Training: The Labor Agency should help to strengthen several training initiatives, including, a) employment programs for California workers with disabilities; b) employment programs to meet the growing need for skilled trade and craft workers; and c) employment programs for the agriculture workforce; d) a nursing workforce initiative providing career opportunities while addressing the critical health care shortage; e) regional job training partnerships in support of economic development that effectively address current and projected employment opportunities.
2. Research: Aligning labor/employment research and statistical functions of EDD's Labor Market Information Division and DIR's Division of Labor Statistics and Research will increase ability to deliver prompt, comprehensive, and quality products and services that support planning, policy and program development functions.
3. Enforcement: California is home to more than 1 million registered employers who will pay in excess of \$35 billion in employment taxes during State Fiscal Year 2001-2002. The Tax Branch of the Employment Development Department (EDD) works to promote a level playing field for these businesses by focusing on outreach, education, and enforcement of employment tax laws and by supporting the Unemployment and Disability Insurance benefit programs for workers.

The Department of Industrial Relations (DIR) exists to improve working conditions for California's wage earners and to advance opportunities for profitable employment in California. Together, EDD and DIR combat the underground economy through the Joint Enforcement Strike Force on the Underground Economy (JESF). The JESF has achieved significant enforcement results in the past four years, in detecting and deterring tax evasion and blatant violations of labor laws that were established to protect workers.

Californians would benefit by a consolidated Labor Agency that shares data and resources to protect the rights of California workers and businesses. Although the existing statutory partnership between the DIR and EDD provides for coordination of common efforts, focused leadership decisions on resource allocation among state and federal programs and funding would result in more efficient use of resources and effective program administration.

The connection between common customers served would allow EDD and DIR direct access to data and opportunity for strategic administrative decisions, resulting in greater focus on how to better serve these communities and enforce labor and employment tax laws. The Departments could also work together on program development efforts, in implementing new employment tax and worker programs, and in changing laws to promote more effective and efficient administration of the respective programs. Additionally, the program's budgets could be managed in a coordinated fashion, to the benefit of the business and worker communities.

At this time, it makes sense to transfer responsibility for the employment tax and worker benefit programs from the Health and Human Services Agency to an enforcement-focused Labor Agency that can manage programs with common customers and goals. The Labor Agency would also provide a forum for expanded data sharing and planning, leading to enhanced enforcement opportunities and better-coordinated enforcement of employment tax and labor laws.